Canadian Pacific News

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CANADIAN PACIFIC REPORTS
HIGHER FIRST-HALF EARNINGS

MONTREAL - Canadian Pacific Limited today reported net income for the first half of 1976 of $72.9 million or $1.00 per ordinary share, an increase of $2.9 million or four cents per ordinary share over the same period of 1975.

The principal increases were from CP Rail, oil and gas, miscellaneous income and the Soo Line Railroad. The increase in miscellaneous income was largely from higher interest earnings and from exchange credits due to the rise in the exchange rate of the Canadian dollar.

Income in the second quarter was up $3.7 million. This increase reflected particular strength in Canadian Pacific Investments Limited, chiefly in oil and gas and real estate. Results of container ship operations also improved and there were gains in miscellaneous income and the Soo Line.

MORE

The quarter was a difficult one, however, for CP Air. It reported a loss of $6 million, about half of which was attributable to the nine-day work stoppage by Canadian airline pilots and air traffic controllers in June.

The first quarter increase of $13.4 million in CP Rail earnings was eroded slightly in the second quarter. This was due mainly to a reduction in traffic volume, notably in export coal as a result of strikes at mines in western Canada and in iron and steel because of weakness in certain markets. Fording Coal Limited was one of the mines struck and, consequently, its income was also down.

Canadian Pacific (Bermuda) Limited, operating in depressed shipping markets and with four more vessels in its fleet than a year ago, had a second-quarter loss of $327,000. This compared with a profit in the second quarter of 1975 of $1.2 million, most of which was non-recurring income.

Prospects for the balance of 1976 are generally favorable for Canadian Pacific although air and ship operations are likely to continue to be problem areas. More vigorous growth in the Canadian economy would help CP Rail retain its first-half earnings increase and would also benefit steel operations and container shipping.

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The outlook for the forest products group is somewhat clouded because of a lag in prices and demand. Expectations for metal mining have risen in recent months as the price of lead has increased and the demand for zinc has strengthened. Oil and gas and real estate are expected to continue to show increased earnings.

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CANADIAN PACIFIC LIMITED

Statement of Consolidated Income

	Quarter ended June 30		Six months ended June 30	
	Subject to audit			
	1976	1975	1976	1975
	(in thousands)			
Net income from:				
CP Rail	$ 8,063	$ 8,738*	$ 16,689	$ 3,955*
CP Trucks	412	404	(279)	(301)
CP Telecommunications	406	353	748	663
CP Air	(5,987)	(1,986)	(11,328)	(6,718)
CP Ships	809	(182)	(262)	5,781
Miscellaneous	3,507	535	5,162	1,173
CP Investments Limited	35,728	32,451	58,256	63,399
Equity in income of subsidiary not consolidated	1,761	711	3,898	2,000
Net income	$44,699	$41,024	$ 72,884	$69,952
Earnings per Ordinary share	$0.62	$0.57	$1.00	$0.96

* Restated for change from cash to accrual basis in accounting for government payments.

CANADIAN PACIFIC LIMITED

Statement of Changes in Consolidated Financial Position

For the six months ended June 30	Subject to audit 1976	1975
	(in thousands)	
Source of Funds		
Funds from operations*	$246,571	$268,684
Reduction in insurance reserve	-	4,000
Sales of investments	1,470	6,279
Proceeds from disposal of property	10,311	7,173
Issuance of preferred shares by subsidiaries	110,000	-
Issuance of long term debt	201,398	376,446
Working capital of subsidiary acquired and consolidated	8,701	-
	$578,451	$662,582
Application of Funds		
Additions to properties	$336,420	$312,660
Additions to investments	6,351	17,629
Additions to lease receivables (net)	5,834	6,624
Investment in subsidiary acquired and consolidated	16,922	-
Reduction in long term debt	101,040	108,458
Redemption of preferred shares	627	2,490
Dividends declared	29,727	30,866
Dividends paid minority shareholders of subsidiaries	19,022	24,096
Sundries (net)	8,892	2,882
Increase in working capital	53,616	156,877
	$578,451	$662,582

*Net income before the following: depreciation, depletion, amortization, deferred income taxes, equity in income retained by companies accounted for by the equity method and minority interest in income of subsidiaries.

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RESEARCH

Comment

CANADIAN PACIFIC LIMITED

(CP, T.S.E., M.S.E., N.Y.S.E., L.S.E.)

CURRENT PRICE	- $15 1/4	P/E RATIO 1975E	- 7.0
1975-76 PRICE RANGE	- $12 5/8-$17 1/8	P/E RATIO 1976E	- 5.8
EARNINGS PER SHARE - 1974	- $2.48	IND. DIV.	- $0.85
EARNINGS PER SHARE - 1975E	- $2.17	YIELD	- 5.6%
EARNINGS PER SHARE - 1976E	- $2.65		

SUMMARY AND CONCLUSION

Canadian Pacific Limited ("CP Limited"), characterized by a quality asset base and fundamentally strong short and long-term earnings prospects, remains one of Canada's premium blue chip companies. Consolidated earnings per share for 1976 are estimated at $2.65, or 22.1% above the 1975 estimate of $2.17. The outlook for improvement in profitability is based upon a forecast recovery in the transportation group from the generally depressed level of 1975 and the excellent growth potential of the Company's natural resource arm, Canadian Pacific Investments Limited ("CPI"). At the present time, CP Limited is trading at a 30.8% average discount to our 1975 - 1976 estimated breakup value and on a relative multiple basis of 76.1% and 70.7% to the estimated 1975 and 1976 TSE of 9.2 and 8.2 times, respectively. At the present multiple of 7.0 times estimated 1975 e.p.s. of $2.17 and 5.8 times estimated 1976 e.p.s. of $2.65, the common stock represents good value and should be purchased for its recovery prospects.

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FEBRUARY 4, 1976
MONTREAL, QUEBEC

CANADIAN PACIFIC LIMITED

Profit Center Contribution

($ Millions)	IQ	IIQ	IIIQ	1974	IQ	IIQ	IIIQ	1975E	1976E
CP Rail	4.5	9.5	4.2	35.7	(8.3)	9.8	10.6	24.0	30.0
CP Trucks	(1.1)	0.2	-	(0.1)	(0.7)	0.4	0.7	1.5	2.0
CP Telecommunications	0.3	0.3	0.2	0.7	0.3	0.4	0.4	2.0	2.5
CP Air	(0.6)	(0.9)	5.5	2.4	(4.7)	(2.0)	4.8	(6.4)A	3.0
CP Bermuda	2.2	2.8	3.7	11.9	5.6	1.2	4.7	10.5	3.4
CP Steamships	0.9	2.1	2.1	6.5	0.4	(1.3)	0.2	1.0	4.2
Soo Line Railroad	2.7	1.3	1.6	7.9	1.3	0.7	1.1	5.5	7.6
Canadian Pacific Investments	24.4	31.7	31.1	114.2	30.9	32.5	27.2	116.2	134.6
Miscellaneous	(0.1)	2.2	1.6	1.8	0.6	0.5	2.2	5.0	6.0
Total	33.2	49.2	50.0	181.0	25.4	42.2	51.9	159.3	193.3
Deduct Pfd. Dividends	0.9	0.9	0.9	3.6	0.9	0.9	0.9	3.6	3.6
Net Income Before Extraordinary Items	32.3	48.3	49.1	177.4	24.5	41.3	51.0	155.7	189.7
Earnings Per Share	$0.45	$0.68	$0.69	$2.48	$0.34	$0.58	$0.71	$2.17	$2.65

1976 OUTLOOK

Transportation Sector

We expect a significant recovery in the overall contribution of the CP transport components in 1976 over 1975, although not reaching the levels attained in 1974. Our optimism is based principally on the recovery prospects for CP Rail, The Soo Line Railroad, CP Air, and CP Steamships.

The 1976 outlook for the CP Rail division is positive due to the full year's effects of freight rate increases obtained during 1975, traffic improvements anticipated as a result of the economic recovery in the U.S., the cost benefits likely to occur under the Canadian government's price and incomes policy, and the unlikelihood that some problems experienced in 1975 will be repeated in 1976. On the rate side, CP Rail increased rates approximately 25% in a broad spectrum of classifications, and at the time of the announcement of the guidelines, had additional increases pending. The full impact of these increases that come after a two-year freight rate freeze will be felt throughout 1976. With a healthier Canadian economy, domestic traffic is expected to recover. Moreover, traffic to the U.S., which accounts for 15% - 20% of revenues, is expected to increase significantly after declining approximately 20% in the first six months of 1975. The export related traffic, principally in the agriculture, metals, and forest products sectors, should do particularly well with an improving world economic climate. In addition, the wage and price controls will prove beneficial to CP Rail as the cost increases due to recent labour negotiations (labour costs account for approximately 50% of all costs) have been in excess of the amount that the company has been able to recover through rate increases. Finally, the major problems that placed considerable pressure on the company in 1975, such as freight rate freezes, strikes at the port of Vancouver, a decline in U.S. related traffic and depressed levels of domestic economic activity, are not expected to persist in 1976.

The prospects for The Soo Line Railroad in 1976 are excellent as the principal traffic that the company carries (farm products 30%, lumber 15%, chemicals 12%, pulp and paper 13%, and manufacturing and other 15%) is expected to increase substantially with the rising economic activity in the United States. Moreover, the company will benefit from freight rate increases granted in 1975 and a proposed rate hike of 4.7% effective February 18 subject to approval by the Interstate Commerce Commission. The Soo's contribution to CP Limited in 1976 is expected to reach $7.6 million, up from the $5.5 million estimated for 1975.

CP Air, one of the world's most efficient carriers, should recover in 1976 after recording in 1975 what we estimate to be its first loss in many years. In general, our guarded optimism for CP Air in 1976 is based on an improving demand for worldwide air travel, full year contribution of rate increases granted in mid-1975, and a reduction in the inflationary cost pressures so characteristic of the past several years. As worldwide business activity continues to ameliorate and the rate of inflation declines both business and pleasure travel should improve. In addition, we expect some rate increases to be granted this year on certain international routes. On the cost side, the wage and price controls should prove beneficial and the large advances in fuel costs witnessed in recent years will not be nearly as dramatic in 1976. Accordingly, we are estimating net income of $3.0 million for CP Air in 1976, after a loss of $6.4 million in 1975.

In the container shipping sector, the outlook is positive for CP Steamships, based on an improving world economic environment. In 1975, the company was adversely affected by the port strike on the St. Lawrence River that lasted throughout most of the second quarter as well as labour disruptions in the U.K. The strike in the asbestos industry also had adverse affects since the company carries a significant amount of that commodity. Due to these factors, together with a decline in world shipping activity in 1975 attributable to fuel and labour cost pressures and the recession, we estimate the company will report a net income of $1.0 million in 1975, down from $6.5 million earned in 1974. With an economic recovery well on its way in several Western world countries, and the problems of 1975 not likely to repeat themselves, we are optimistic about this subsidiaries' prospects. Higher volume, less cost pressures, and the possibility of rate improvements all indicate an improving climate in 1976. Accordingly, we are forecasting a rise in the contribution of CP Steamships to $4.2 million.

On the negative side, the outlook for CP Bermuda is not encouraging. The substantial deterioration in the prospects of the tanker industry as a whole should result in a decline in the net income contribution of CP Bermuda to $10.5 million in 1975 from approximately $11.9 million in 1974. The 1975 contribution would have been significantly lower had not a settlement payment been received for a charter cancelled on the 250,000 ton super tanker "I.D. Sinclair". In 1976, we do not expect the supply/demand imbalance to improve significantly. Accordingly, we are expecting further deterioration in the contribution of this subsidiary to approximately $3.4 million. We would point out, however, that the longer-term outlook for CP Bermuda relative to its industry is considerably more optimistic as a result of certain fundamental conditions unique to the company.

1. CP Bermuda charters over 60% of its current fleet to American multi-nationals, considered to be financially sound.

2. The company has a strong orientation towards the refined oil product tankers, an area that we believe has considerably better long-term demand potential as more and more oil producing countries build refining capacity for export.

3. The company has an exceptionally modern fleet characterized by low operating costs.

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4. 30% of the company's present fleet already has charter commitments to 1980 - 1981.

On balance, the weakness of CP Bermuda, in our view, will be more than offset by the recovery prospects for the other transport subsidiaries. Our estimate of the contribution from the transportation group is $56.2 million or $0.79 per share in 1976, up from $46.5 million or $0.65 per share estimated for 1975. This is still below the $69.9 million and $0.98 per share realized in 1974, a year when the shipping operations and The Soo Line did exceptionally well.

Natural Resource Sector - CPI

Canadian Pacific Investments Limited (85.5%-owned) continues to be one of the world's foremost resource companies with quality holdings and undeveloped assets in almost every sector in which it operates.

CANADIAN PACIFIC INVESTMENTS LIMITED

Profit Center Contribution

	1974				1975				
($ Millions)	IQ	IIQ	IIIQ	Year	IQ	IIQ	IIIQ	1975E	1976E
Oil and Gas (PanCanadian Petroleum)	7.8	10.4	9.9	40.3	14.5	9.9	13.8	53.2	59.4
Mines and Minerals (Cominco, Fording Coal, and CanPac Minerals)	10.8	16.2	12.2	48.7	12.0	15.7	12.9	50.0	53.0
Forest Products (Pacific Logging and Great Lakes Paper)	4.7	3.5	3.6	12.1	2.9	2.1	0.3	1.6	12.5
Steel (Algoma Steel)	-	-	7.2	14.2	5.9	7.2	1.1	19.4	27.7
Real Estate (Marathon Realty)	1.1	1.6	1.2	5.6	1.4	2.6	1.5	6.5	7.5
Hotels and Food Services (CP Hotels)	0.8	1.2	1.8	4.5	(0.1)	1.1	1.9	5.0	6.0
Finance	0.2	0.3	0.2	0.8	0.3	0.3	0.4	1.5	1.5
Other Operations	-	-	-	-	(0.1)	(0.1)	-	-	-
Investment Income	2.0	2.7	0.2	4.5	(0.5)	(0.7)	0.2	(1.3)	(3.5)
Net Earnings	$27.4	$35.9	$36.3	$130.7	$36.3	$38.2	$32.1	$135.9	$164.1
Earnings Per Share	$0.49	$0.64	$0.62	$ 2.29	$0.62	$0.65	$0.54	$ 2.32	$ 2.80

Although most resource companies were adversely affected by the cyclical downturn in 1975, CPI's consolidated net income is expected to be slightly above the 1974 level. In 1976, the company should record a substantial increase in earnings to $164.1 million or $2.80 per share from the $135.9 million or $2.32 per share estimated

for 1975. The excellent prospects for CPI are based on the positive expectations for PanCanadian Petroleum, Fording Coal, CP Hotels, and Marathon Realty, together with traditional cyclical recovery patterns for Cominco, Great Lakes Paper, Algoma Steel and Pacific Logging.

CANADIAN PACIFIC INVESTMENTS LIMITED

Breakdown of Select Categories

	Per subsidiary share ($)		Per subsidiary contribution ($ Millions)	
	1975E	1976E	1975E	1976E
Oil and Gas				
PanCanadian Petroleum	1.92	2.20	53.2	59.4
Mines & Minerals				
Cominco	4.00	4.00	36.7	36.7
Fording Coal			12.6	15.5
CanPac Minerals			0.7	0.8
			50.0	53.0
Forest Products				
Great Lakes Paper	1.78A	4.00	3.6	8.0
Pacific Logging			(2.0)	4.5
			1.6	12.5
Steel				
Algoma Steel	3.30	4.70	19.4	27.7

For PanCanadian, higher average prices for oil and gas as well as increasing production of gas and natural gas liquids will result in a further material improvement in this company's contribution to CPI in 1976 over the record results of 1975. Fording Coal is expected to record its best year ever in 1976 on the basis of price increases previously granted, higher levels of production, and reduced operational problems. While some industry experts are skeptical of the Japanese consumer importing coal at present levels, we are of the opinion that any decline in shipments will affect those companies that are presently exporting above their contracted levels and not Fording Coal, where contracted amounts have yet to be reached.

Further advances in profitability are also expected from both Marathon Realty, as recently undeveloped properties begin to contribute to the revenue stream, and CP Hotels, due to its enlarged revenue producing base and an improvement in the outlook for travel and the convention business.

A classical cyclical recovery should result in improved contributions from Great Lakes Paper, Algoma Steel, and Pacific Logging, although at different times during the year. While there is some concern about the effect of the export levy on export-oriented companies, Cominco and Great Lakes Paper should fare well as they have substantial capital investment projects within Canada and, therefore,

should be in a position to recover most, if not all, of the levy. We would point out, however, that the question of the export levy has been referred back to the federal cabinet for further review because the provinces were concerned about its effect on employment in certain regions.

The outlook for Cominco is for an improvement by mid-1976 due to the firming of metal prices and a continued liquidation of the abnormally high levels of inventory. Cost recovery for Cominco's principal metals: lead, zinc and silver, however, will not be as significant as for other metals since the prices of the former have remained relatively firm during the past recession. Furthermore, a weak fertilizer market could put a damper on the full recovery potential of this subsidiary.

Great Lakes Paper, traditionally one of the more profitable CPI companies, is expected to recover well in 1976 but its performance will depend on how quickly the present strike at its Thunder Bay mills is settled. Already the strike has resulted in the depletion of end-users inventories to more characteristically normal patterns. U.S. demand is expected to be particularly strong in the newsprint sector because of the improving state of the economy. Pulp, however, is not expected to be buoyant. Prices are expected to remain firm with some increases probable.

At this point in time, we are more optimistic about the prospects for Pacific Logging than we have been at any time during 1975. Our optimism is primarily attributable to the rising expectations for housing starts in the U.S., and to a lesser extent in Canada. Since the performance of Pacific Logging is strongly correlated to the direction of U.S. housing starts, any improvement (to say, 1.7 million) could result in a substantial turnaround in this subsidiaries' performance.

For Algoma Steel in 1976, we are expecting a recovery from last year's strike affected performance. Recently awarded price increases, a projected increase in the volume of shipments attributable to an improving economic outlook and increased productive capabilities, together with an increased contribution from 43%-owned Dominion Bridge should result in earnings surpassing those attained in 1975.

The one weak area of CPI, its Investment Portfolio, will be materially affected by the elimination of the MacMillan Bloedel dividend, the rise in financial costs attributable to the acquisition of Algoma Steel, and the increase in CPI's corporate expenses.

In summary, we are of the opinion that CPI is in an excellent position to show a solid earnings recovery in 1976. With most of the asset base now firmly in place, we look for an advance in profitability as well as less cyclicality in the future.

FACTORS AFFECTING STOCK MARKET PERFORMANCE

Controls

Although we have mentioned possible specific applications of the Anti-Inflation Guidelines to various subsidiaries, a general view of the overall effect should prove useful. It appears that the transportation subsidiaries stand to benefit because the cost pressures due to labour negotiations would have been in excess of the amount recoverable through overall rate increases. Freight rate hikes based on cost increases should be allowed and while it is difficult to flow through specific cost advances to freight rates, we are of the opinion that, if necessary, the railways can do so.

In the resource sector, the cost benefit is evident because of the large number of subsidiaries that are currently undergoing labour negotiations or are expected to do so in the future. Moreover, most of the price increases of the major subsidiaries have already been implemented and the negligible effect of the export levy, as previously discussed, should enable this sector to benefit from a normal cyclical recovery. While the dividend limitations will affect CPI because it is a holding company, it should be remembered that many CP subsidiaries are already paying out a traditionally high rate.

Transportation Regulation Uncertainties

The past stock market performance of CP Limited, in light of unfavourable regulations as well as interference by the former Minister of Transport, has led many investors to believe that the rates of return received from transportation companies in general will continue to be poor. We would point out, however, that the appointment of Otto Lang as the new Minister of Transport has substantially altered the political environment and less restrictive regulations, principally in the rail and air sectors are expected. The minister's more favourable attitude towards the roll of the private sector in transportation is exemplified by:

1. his recent statements suggesting that the privileged status of Air Canada should not be allowed to continue;

2. the indication that the statutory grain rates may be altered or the railways may be allowed full cost recovery;

3. transport officials' comments on the need for higher rates of return in rail transportation; and

4. the withdrawal of support for a government-owned regional air carrier in Saskatchewan and Manitoba.

In short, it is our view that the minister believes in private investment in transportation and recognizes the need for higher rates of return if the industry is to remain commercially viable and have the necessary cash flow to improve and enlarge the system.

Unfunded Pension Liabilities

A concern that has been expressed by some investors centers on the large off-balance sheet item known as "unfunded pension liabilities". At the end of 1974, the consolidated amount was $593 million, the majority of which was attributable to CP Rail.

While the amount is significant, the impact on CP Limited is less than it would be for most other corporations because of the longer funding period unique to CP Limited. The Company has a 60 year funding period for 45.8% of the liability (because it is by statute a perpetual corporation and can only be dissolved by an Act of Parliament) and a more normal 25 year period for the balance. While we are not in a position to comment on the actuarial soundness of the plan, we believe that the liability and the long funding period are well within the financial capabilities of this growing enterprise whose long-term prospects are substantially positive. A far more important consideration, in our view, is the actual annual pension fund expense that has been growing in recent years and in the case of CP Rail accounts for approximately 6% of all costs. On the basis of a "user-pay" transportation system, however, the rail operation would have a more than adequate revenue base to pay for the additional pension fund expenses.

Traditional Holding Company Discount

While holding companies traditionally have been given a substantial discount to their break-up values, we are of the opinion that the discount should be less with regard to CP Limited because of its stated policy of flowing through the dividends received from CPI to the shareholders of CP Limited.

VALUATION

In the past, we have paid considerable attention to the valuation of CP Limited and CPI. While the methods have varied from time to time, we consider the break-up value (as principally determined by the market) and the relative multiple assessment to be most significant. Within this framework, a comparison between CP Limited and CPI is always paramount in our assessment to determine which is the most attractive investment vehicle at any point in time.

Currently, it appears that CP Limited is more undervalued than CPI and, in our view, offers the greater capital appreciation potential. CP Limited is expected to realize earnings growth in 1976 of 22.1% versus 20.7% for CPI. Moreover, CP Limited's multiple is less than that of CPI both in absolute terms and relative to the TSE. Based on 1975 and 1976 estimated e.p.s. of $2.17 and $2.65, respectively, CP Limited is trading at 7.0 and 5.8 times earnings or at 76.1% and 70.7% of the estimated TSE multiple in 1975 and 1976. CPI, on the other hand, is trading at 7.7 times and 6.4 times 1975 and 1976 expected e.p.s. or approximately 83.7% and 78.0% of the estimated TSE.

In addition to the present market value, CP Limited is trading at a slightly greater discount than CPI (as outlined in the following table). Moreover, because of the lower multiple, higher dividend and greater liquidity associated with CP Limited as well as some upward momentum attributable to the U.S. market (CP Limited is part of the Dow Jones Transportation Index), we would favour CP Limited over CPI. For those investors, however, who are not optimistic about the recovery prospects of transportation stocks, we would recommend investment in CPI since it is an excellent resource company and considerably undervalued.

VALUATION

CP Limited Valuation	CP Limited Common Based on 1975 Est. E.P.S.	CP Limited Common Based on 1976 Est. E.P.S.
Appraisal Value of CPI per CP Limited Common Share	$17.33	$17.81
Appraisal Value of CP Limited excluding CPI	4.29	4.65
	$21.62	$22.46
Current Market Price	$15.25	$15.25
Apparent Discount	$ 6.37	$ 7.21
Apparent Discount (%)	29.5%	32.1%

CPI Valuation	CPI Common Based on 1975 Est. E.P.S.	CPI Common Based on 1976 Est. E.P.S.
Appraisal Value of CPI	$24.86	$25.55
Current Market Price	17.75	17.75
Apparent Discount	$ 7.11	$ 7.80
Apparent Discount (%)	28.6%	30.5%

CANADIAN PACIFIC INVESTMENTS LIMITED

Appraisal Value
(As at January 15, 1976)

($ Millions)	Based on E.P.S. 1975E	Based on E.P.S. 1976E
Consolidated Holdings (% Owned)		
PanCanadian Petroleums Ltd. (87.1%)	438.4	438.4
- 27.19 Million Shares at $16 1/8		
Pacific Logging Co. Ltd.	32.0	32.0
- At. Est. 1974 Appraisal Value		
Marathon Realty Co. Ltd. (100%)	200.0	220.0
- At. Est. Book Value of Property Portfolio		
Canadian Pacific Hotels (100%)	30.0	36.0
- At. 6x Est. 1975 (1976) Net Income of $5.0 Mil. ($6.0 Mil.)		
Canadian Pacific Securities Ltd. (100%)	1.5	1.5
- At Est. Net Income of $1.3 Mil. ($1.5 Mil.)		
Algoma Steel Corp. (50%)	148.3	148.3
- 5,817,000 Shares at $25 1/2		
Cominco Ltd. (54%)	320.6	320.6
- 9.16 Million Shares at $35		
Great Lakes Paper Co. Ltd. (55.6%)	45.3	45.3
- 2.00 Million Shares at $22 5/8		
Fording Coal (60%)	63.0	77.5
- At 5x Est. 1975 (1976) Net Income Contribution of $12.6 Mil. ($15.5 Mil.)		
Other Assets at Estimated Cost	36.2	36.2
Investment Portfolio (% Owned)		
Husky Oil Ltd. (4.69%)	9.1	9.1
- 452,000 Shares at $20		
MacMillan Bloedel Ltd. (12.33%)	57.7	57.7
- 2,849,600 Shares at $20 1/4		
Northern and Central Gas Corp. Ltd. (2.20%)	4.1	4.1
- 358,200 Shares at $11 3/8		
Rio Algom Mines Limited (9.88%)	38.4	38.4
- 1,210,869 Shares at $31 3/4		
TransCanada PipeLines Ltd. (13.03%)	40.5	40.5
- 3,600,000 Shares at $11 1/4		
Union Carbide Canada Ltd. (8.25%)	16.5	16.5
- 825,000 Shares at $20		
Preferred Stocks at Estimated Current Market Value	4.7	4.7
Bonds, Debentures, Notes and Other	7.1	7.1
	$1,493.4	$1,533.9
Deduct:		
Preferred Shares $32 3/4	33.9	33.9
	$1,459.5	$1,500.0
Common Shares Outstanding 58,700,000		
Preferred Shares 1,035,000		
Appraisal Value Per CPI Common Share	$ 24.86	$ 25.55

CANADIAN PACIFIC LIMITED

Appraisal Value
($ Millions)

Holdings (% Owned)	Capitalization Rate	1975 Estimated Earnings	1975 Estimated Appraisal Value	1976 Estimated Earnings	1976 Estimated Appraisal Value
CP Investments (85.5%)	Appraisal Value		$1,242.0	-	$1,276.5
CP Air Limited (100%)	At Book Value	$(6.4)	29.2	$ 3.0	29.2
Telecommunications (60%)	5 times	2.0	10.0	2.5	12.5
CP Steamships (100%)	5 times	1.0	5.0	4.2	21.0
Miscellaneous	4 times	5.0	20.0	6.0	24.0
CP Bermuda Ltd. (100%)	5 times	10.5	52.5	3.4	17.0
Soo Line Railway (56%) $27 5/8	Market value	-	39.1	-	39.1
CP Rail (100%)	6 times	24.0	144.0	30.0	180.0
CP Transport (100%)	5 times	1.5	7.5	2.0	10.0
			$1,541.8		$1,609.3
Outstanding Common Shares 71,662,280					
Appraisal Value per CP Limited Common Share			$21.62		$22.46